

2023

# MISSOURI MEDICAL AND ADULT USE CANNABIS ANNUAL REPORT



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MISSOURI DEPARTMENT OF  
**HEALTH &  
SENIOR SERVICES**

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# 01

## INTRO & HISTORY

DHSS oversees cannabis regulation under powers granted by Article XIV of the Missouri Constitution.

Following voter approval of medical-use cannabis in 2018 and adult-use in 2022, the department regulates the medical and adult-use cannabis industry. Licensure ensures requirements are met to begin operation, product is tracked statewide, and public safety and health is protected through testing.



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## HIGHLIGHTS

01

### Adult-Use Cannabis Approval

Voters approved adult-use cannabis in Missouri, expanding DHSS' responsibilities related to cannabis regulation.

02

### Medical-Use Cannabis Facility Conversion

Medical facilities converted to "comprehensive licenses" to sell cannabis to both patients and adult consumers.

03

### Microbusiness Lottery System

DHSS established a lottery to grant microbusiness licenses, promoting small-business ownership opportunities.

04

### Emergency and Final Rules Written

Emergency rules were implemented in February 2023, with final regulations in place by July 2023. The department met or beat all constitutional deadlines mandated by Amendment 3 provisions.



## SECTIONS

### Executive Summary

This report outlines actions and achievements during the 2023 program year, covering both medical and adult-use cannabis programs.

### Cannabis Regulation in Missouri

DHSS oversees licensing, enforcement and compliance, ensuring cannabis is produced, distributed and consumed safely.



# EXECUTIVE SUMMARY

Pursuant to Article XIV, Sections 1 and 2 of the Missouri Constitution, the Missouri Department of Health and Senior Services (DHSS) is authorized to prepare and transmit annually a publicly-available report accounting to the Governor, the General Assembly, and the public for the effective discharge of all responsibilities. This report covers the program year from Dec. 1, 2022 - Nov. 30, 2023 (PY23).

## Highlights



On Nov. 8, 2022, voters approved Constitutional Amendment 3, which allows individuals aged 21 years and older (adult consumers) to legally purchase, possess and consume cannabis in Missouri. This resulted in a new and significant increase in responsibility for DHSS, which is now charged with regulating the production and distribution of cannabis for adult use (Article XIV, Section 2).



Although medical facility licensees are not authorized under the law to sell product to non-medical consumers, Section 2 provisions allow existing medical facility licensees the right to convert to a “comprehensive license” to sell cannabis products to both patients and adult consumers.



The new law also required DHSS to create a lottery process to grant new small business licenses called “microbusinesses,” designed to provide a path to facility ownership for individuals who might not otherwise easily access that opportunity.



## Key Achievements

### Rules Established

Emergency rules to implement Article XIV, Section 2 were established on Feb. 3, 2023, and final rules went into effect on July 30, 2023.

### Team Roles Expanded

By the end of PY23, DHSS hired 78 of the 148.5 authorized new positions to meet the new and more complex responsibilities under Article XIV, Section 2. An organization chart and function list are publicly accessible at Cannabis.Mo.Gov.

### Chief Equity Officer Hired

Article XIV required DHSS to appoint a chief equity officer within 60 days of the effective date of the new law. The first chief equity officer began employment with the department on Feb. 1, 2023.

### Microbusiness Licensing Created

Established the microbusiness dispensary and microbusiness wholesale licensing program.

### Medical Revenue Transferred

DHSS transferred \$13.0 million in medical cannabis sales tax revenue from the Veterans’ Health and Care Fund to the Missouri Veterans Commission (MVC), bringing the cumulative total transferred to \$40 million.

### Adult Use Revenue Transferred

DHSS transferred \$3.9 million in adult cannabis use sales tax revenue from the Veterans, Health, and Community Reinvestment Fund. These were distributed in amounts of \$1.3 million to each of the following beneficiaries: MVC, the DHSS Substance Use Disorder Grants Program and the Missouri State Public Defender System.

### Health and Safety Protected

DHSS issued the first major recall on products due to a potential threat to public health and safety.



# CANNABIS REGULATION IN MISSOURI

## Article XIV, Section 1 of the Missouri Constitution

### Section 1 grants DHSS authority to license and regulate medical cannabis in Missouri by:

- Granting or refusing to grant state licenses,
- Developing forms, certificates, licenses, identification (ID) cards, and applications,
- Tracking seed to sale of medical cannabis,
- Issuing standards for sanitation, storage, transportation, and labeling of products,
- Charging fees,
- Implementing and enforcing the safe use of cannabis including inspections, investigations, searches, and seizures,
- Suspending, restricting, and revoking any issued license and/or certification, and
- Imposing fines or administrative penalties for violations.

### It allows:

- Individuals with qualifying medical conditions the right to access medical cannabis,
- State-licensed physicians and nurse practitioners to recommend medical cannabis for certain qualifying conditions,
- Patients the right to discuss possible benefits of medical cannabis, and
- Patients the right to use medical cannabis under the supervision of a physician or nurse practitioner.



**Dec. 6, 2018**  
**Article XIV, Section 1 of the Missouri Constitution**

Section 1 became effective Dec. 6, 2018, with amendments related to adult-use effective Dec. 8, 2022.

## Article XIV, Section 2 of the Missouri Constitution

### It allows:

- DHSS to control the production and distribution of cannabis under a system that licenses, regulates, and taxes the businesses involved, while protecting public health.
- Individuals aged 21 years and older to legally purchase, possess, and consume cannabis in Missouri,
- Existing medical facility licensees the right to convert to a comprehensive license and sell cannabis to both qualifying patients and individuals aged 21 and older,
- Personal consumers over the age of 21 to apply for an ID card to cultivate cannabis, and

### Section 2 does not allow:

- Public use of cannabis,
- Driving under the influence of cannabis,
- Using cannabis in the workplace, or
- Individuals under the age of 21 to use cannabis without a patient identification card.



**Dec. 8, 2022**  
**Article XIV, Section 2 of the Missouri Constitution**

Section 2 became effective Dec. 8, 2022.



# 02

## PROGRAM YEAR 2023 HIGHLIGHTS

In Program Year 2023, the Division of Cannabis Regulation was established to implement adult-use cannabis under Missouri's new constitutional provisions.

The year saw significant and unprecedented efforts to ensure compliance, public health and safety, and financial opportunity for veterans, grant programs and Missouri communities.

**01 New Adult-Use Cannabis Regulation**  
DHSS implemented constitutional provisions to regulate adult-use cannabis while protecting public health.

**02 Fund Distribution for Veterans**  
Cannabis taxes contributed significantly to Missouri's Veterans' Health Fund, supporting veterans and related services.

**03 State Cannabis Reference Laboratory**  
The laboratory was launched within the Missouri State Public Health Laboratory to ensure accurate product testing.

**04 Microbusiness Licenses Issue**  
A total of 48 microbusiness licenses were awarded, supporting small-scale cannabis operations in specific areas of Missouri.



## SECTIONS

### Overview of Program Year 2023

In 2023, DHSS expanded its cannabis regulation framework, incorporating adult-use provisions under the Missouri Constitution.



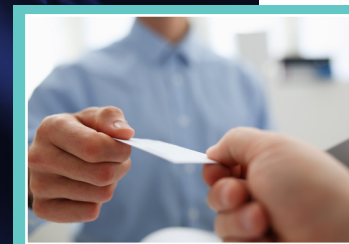
### Fund Distribution: Where the Money Goes

Cannabis-related tax revenue funded veterans' health services, addiction treatment and legal assistance for low-income Missourians.



### Identification Cards and Licenses

The issuance of agent ID cards for facility staff increased by 18.4%, reflecting expansion of adult-use and the broader regulatory responsibilities of DHSS.



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# PROGRAM YEAR 2023 HAPPENINGS

The Division of Cannabis Regulation expanded dramatically in this program year (December 1, 2022 - November 30, 2023). With the passage of Article XIV, Section 2 of the Missouri Constitution, adult use became legal, and regulation responsibility for this new and larger industry was added to the DHSS. This year we highlight the actions taken to implement the new constitutional provisions, and share news of the Missouri Cannabis State Reference Laboratory and the Adult Substance Use Disorder Grant Program.

## Implementation of the New Constitutional Provision

Article XIV, Section 2 of the Missouri Constitution granted DHSS authority to implement new provisions for adult use of cannabis as well as the long-term regulatory authority to control the production and distribution of cannabis under a system that licenses, regulates, and taxes the businesses involved while protecting public health. Specifically, DHSS regulation of licensed facilities contributes to:

- Removing the production and distribution of cannabis from the illicit market,
- Preventing the distribution of cannabis to persons under 21 years of age,
- Preventing the diversion of regulated cannabis to illicit markets,
- Protecting public health by ensuring the safety of cannabis products, and

- Ensuring the security of cannabis facilities.

To efficiently implement the new Constitutional provisions, DHSS created the Division of Cannabis Regulation in December 2022 to administer both the medical and adult use programs under one organizational structure.

DHSS requested and received legislative appropriation to utilize up to \$20.3 million from the Veterans, Health, and Community Reinvestment Fund for operating costs. This appropriation included 148.5 new positions to implement regulation of adult use cannabis. As anticipated, once the Adult Use Cannabis Program came into effect, there was a noticeable decline in patient applications and patient ID cards. DHSS responded to this reality by requesting and receiving a reduction in its Medical Cannabis Program appropriation budget and staffing to \$11.9 million and 23.5 positions, respectively. As of this report, DHSS is authorized to administer both the Medical and Adult Use Cannabis Programs with a total of 172 positions and \$32.2 million.



- The additional positions were necessary to effectively discharge existing and new responsibilities including but not limited to:
- Promulgate rules to implement Article XIV.
  - Expand and improve the online registry portal for applicants, licensees, and individual cardholders, including:
    - ▶ Build application portals for license conversion, microbusinesses, warehouses, nurse practitioners, and adult use home cultivators.
    - ▶ Increase patient standard allotment from 3 to 6 ounces.
  - Implement new processes and efficiencies, including:
    - ▶ Item approval process for products, packaging, and labeling.
    - ▶ Business change application request support for licensees.
    - ▶ Elimination of certain actions that previously required DHSS approval.
    - ▶ Expanding public and licensee outreach and communication.
  - Process facility license and certificate applications and issue licenses.
  - Ensure transfer of funds to Constitutionally prescribed entities.
  - Ensure licensee eligibility through minimum standards review and investigation of ownership arrangements as required.
  - Inspect licensees' facilities and operations to ensure compliance with regulations.
  - Process business change applications, such as change of location or ownership.
  - Investigate complaints against licensees and individual cardholders.
  - Issue and process licensee fines and fees, such as fees for licensure and license renewal.
  - Provide public reports and information on our website.
  - Process and respond to general program inquiries.

- Process and respond to licensee and individual cardholder inquiries.
- Provide education and outreach to the public, government entities, individual cardholders, and licensees.
- Process individual cardholder applications and issue ID cards.

## Timelines and Accomplishments:

- Promulgated new rules. Emergency rules were established on February 3, 2023, and final rules went into effect on July 30, 2023.
- Accepted personal consumer applications within 60 days of December 8, 2022. DHSS met this deadline early by accepting applications February 3, 2023.
- Accepted facility requests to convert to a comprehensive license on December 8, 2022, and approved or denied requests within 60 days of receipt. DHSS met this deadline by awarding comprehensive licenses on February 3, 2023. Adult use sales commenced immediately upon award of these licenses.
- Created a lottery system to award comprehensive and microbusiness licenses.
- Within 270 days after the effective date of Article XIV, Section 2, DHSS was required to start accepting applications for microbusiness facilities. The Department met this requirement ahead of the deadline, accepting applications between July 27, 2023, and August 10, 2023.
- The first group of microbusiness licenses were to be issued no later than 300 days after the effective date of Article XIV, Section 2. The Department met this requirement ahead of the deadline; the first 48 microbusiness licenses were issued October 2, 2023.



# Implementation of New Microbusiness License

A microbusiness will operate on a smaller scale than medical or comprehensive licenses. This license is designed to provide a path to facility ownership for individuals who might not otherwise easily access that opportunity. A microbusiness dispensary facility is licensed to engage in the process of dispensing cannabis product for medical or adult use, while a microbusiness wholesale facility is licensed to engage in the process of cultivating and/or manufacturing cannabis product for medical or adult use.

The newly appointed Chief Equity Officer established public education programming and targeted technical assistance programming to inform the public of the opportunities available to those who meet the criteria for a microbusiness license and informed individuals of the support and resources available from DHSS.

Forty-eight microbusiness licenses are to be awarded in three separate rounds for a total of 144 licenses. Six licenses are awarded per congressional district: two microbusiness dispensaries and four microbusiness wholesale facilities.

The Missouri Constitution requires that microbusiness licenses be awarded to entities that are majority owned by individuals who meet at least one of the eligibility criteria set forth in Article XIV, Section 2. Any applicant that meets the criteria to apply for a microbusiness facility license but is not chosen by the lottery system may have their application fee refunded. On October 2, 2023, DHSS issued 48 total licenses: 32 wholesale and 16 dispensary facilities.

As required by Article XIV, the Chief Equity Officer will provide an annual report on the microbusiness program to the general assembly every January.

# Substance Use Disorder Grant Program

The legislature allocated \$1.3 million (FY24) for DHSS to implement the Substance Use Disorder (SUD) Grant Program from the adult use fund. DHSS hired a coordinator to oversee the grant program and develop a broader infrastructure for grant making. The coordinator is working with an advisory council of stakeholders on substance use disorder prevention and treatment to identify needs for future grant opportunities.

For this year's grants, DHSS partnered with the Missouri Department of Mental Health to support and expand Recovery Community Support Centers (RCCs). Four grants of \$300,000 each will be awarded in February 2024 (PY24). RCCs offer a place where people seeking recovery from addiction can be connected to community resources and assistance. The centers also offer regular recovery meetings, life skills classes, assistance with employment, and social activities. They maintain regular hours and accept walk-ins. Recovery support programs include care coordination, recovery coaching, group support, recovery housing and transportation before, during, after, and in coordination with other substance use disorder service providers.

# Missouri Cannabis State Reference Laboratory

To ensure accurate testing of cannabis products, DHSS implemented a comprehensive plan to use the Missouri State Public Health Laboratory (MSPHL) as the state reference laboratory for cannabis testing.

Cannabis testing will be performed within the Chemistry and Environmental Bacteriology Units of the MSPHL. These analytical testing units are building capacity by performing outreach activities, implementing security measures for storing cannabis samples, hiring scientists, creating partnerships with external partners, completing testing instrumentation installation and training, and attending industry conferences.

Many of these activities are underway with some cannabis testing laboratory instrumentation already installed and new scientists becoming trained. DHSS also conducted preliminary research and planning for the process of adding ISO (International Organization for Standardization) accreditation for cannabis testing at the MSPHL. State reference laboratory testing will include identifying and quantifying the levels of cannabinoids present in cannabis products, moisture content, as well as screening for contaminants such as pesticides, heavy metals, mold, and other pathogens.



# FUND DISTRIBUTION

Article XIV: (1) requires the State Treasurer to create designated funds for revenues generated from fees and the retail sales tax on cannabis products, (2) prescribes how revenues are to be allocated for use, and (3) prohibits any monies remaining in either fund to be credited to the general revenue fund.

## Article XIV, Section 1, Missouri Constitution

A four percent statewide tax is levied on the retail sale of cannabis sold in Missouri for medical use. The tax is collected by each licensed medical dispensary and remitted the month after sale to the Missouri Department of Revenue (DOR). DOR may retain no more than two percent of the total tax collected for their administration costs, depositing the remainder into the Veterans’ Health and Care Fund (“Veterans’ Fund”). Additional information and tax remittance schedules are available on the DOR website.

DHSS administration of the Medical Cannabis Program is funded by the Veterans’ Fund in the amount necessary to carry out its regulatory responsibilities under Article XIV, Section 1, including repayment of any cash operating transfers, payments made through contract or agreement with other state and public agencies necessary to implement the program, and a cash reserve to maintain a reasonable working cash balance for the purpose of implementing the program. The specific amount received by DHSS is authorized by the state legislature through the annual budget appropriation process. This appropriation is funded by the medical cannabis fees and taxes deposited into the Veterans’ Fund.

The remainder of the funds are transferred to the Missouri Veterans Commission (MVC). Figure 1 details, by state fiscal year (FY), the amount appropriated to DHSS for its administration of the program, revenues deposited into the Veterans’ Fund, expended budget by DHSS for its administration, and the amount transferred to the MVC as appropriated by the Legislature. Figure 2 illustrates the distribution of medical cannabis revenue.

FIGURE 1: VETERANS’ HEALTH AND CARE FUND (MEDICAL)

FISCAL YEAR	APPROPRIATED BUDGET	MEDICAL CANNABIS REVENUES	EXPENDED BUDGET	TRANSFER TO VETERANS COMMISSION
FY19	\$3,161,975	\$3,978,496	\$585,014	\$0
FY20	\$13,511,557	\$21,530,724	\$6,276,380	\$0
FY21	\$13,543,316	\$13,971,784	\$9,393,434	\$2,135,510
FY22	\$13,827,511	\$25,704,462	\$8,408,818	\$11,843,310
FY23	\$14,071,166	\$26,155,980	\$6,628,904	\$13,000,000
FY24	\$11,904,629	\$6,314,975	\$1,527,391	\$13,000,000

Missouri State fiscal year runs July 1 – June 30. Revenues are comprised of medical fees, taxes on sale of medical products, and any interest generated on the investments of the fund. The first medical retail sales occurred October 16, 2020 (FY 21). FY21 was the first year the legislature appropriated a transfer to the Missouri Veterans Commission. FY24 revenues, expended budget and transfer are current as of Nov.30, 2023.

FIGURE 2: MEDICAL CANNABIS REVENUE DISTRIBUTION FLOWCHART





## Article XIV, Section 2, Missouri Constitution

A six percent statewide tax is levied on the retail sale of cannabis sold in Missouri for adult use. The tax is collected by each licensed comprehensive and microbusiness dispensary and remitted the month after sale to DOR. DOR may retain no more than two percent of the total tax collected for their administration costs, depositing the remainder into the Veterans, Health, and Community Reinvestment Fund (“Reinvestment Fund”). Additional information and tax remittance schedules are available on the DOR website.

DHSS administration of the Adult Use Cannabis Program is funded by the Reinvestment Fund in the amount necessary to carry out its regulatory responsibilities under Article XIV, Section 2, including repayment of any cash operating transfers, payments made through contract or agreement with other state and public agencies necessary to implement the program, and a cash reserve to maintain a reasonable working cash balance for the purpose of implementing the program. The specific amount received by DHSS must be authorized by the state legislature through the annual budget appropriation process. This appropriation is funded by the adult use fees and taxes deposited into the Reinvestment Fund.

Figure 3 details, by state fiscal year (FY), the amount appropriated to DHSS for its administration of the Adult Use Program, revenues deposited into the Reinvestment Fund, and the expended budget by DHSS for its administration.

FIGURE 3: VETERANS, HEALTH, AND COMMUNITY REINVESTMENT FUND (ADULT USE)

FISCAL YEAR (JULY 1 - JUNE 30)	APPROPRIATED BUDGET	ADULT USE CANNABIS REVENUES	EXPENDED BUDGET
FY23	\$5,975,834	\$22,251,348	\$1,425,498
FY24	\$20,290,040	\$30,365,265	\$3,067,841

Missouri State fiscal year runs July 1 – June 30. Revenues are comprised of adult use fees, taxes on sale of adult use products, and any interest generated on the investments of the fund. FY24 revenues and expended budget are current as of November 30, 2023

The appropriated budget for DHSS supports several regulatory activities within the Department, including the establishment of a state reference laboratory. DHSS allocated \$3.8 million of its \$20.3 million appropriation to begin this effort. Figure 4 depicts the estimated funding distribution in state fiscal year 2024 for building this capacity.

FIGURE 4: CANNABIS STATE REFERENCE LABORATORY ESTIMATED FUNDING DISTRIBUTION

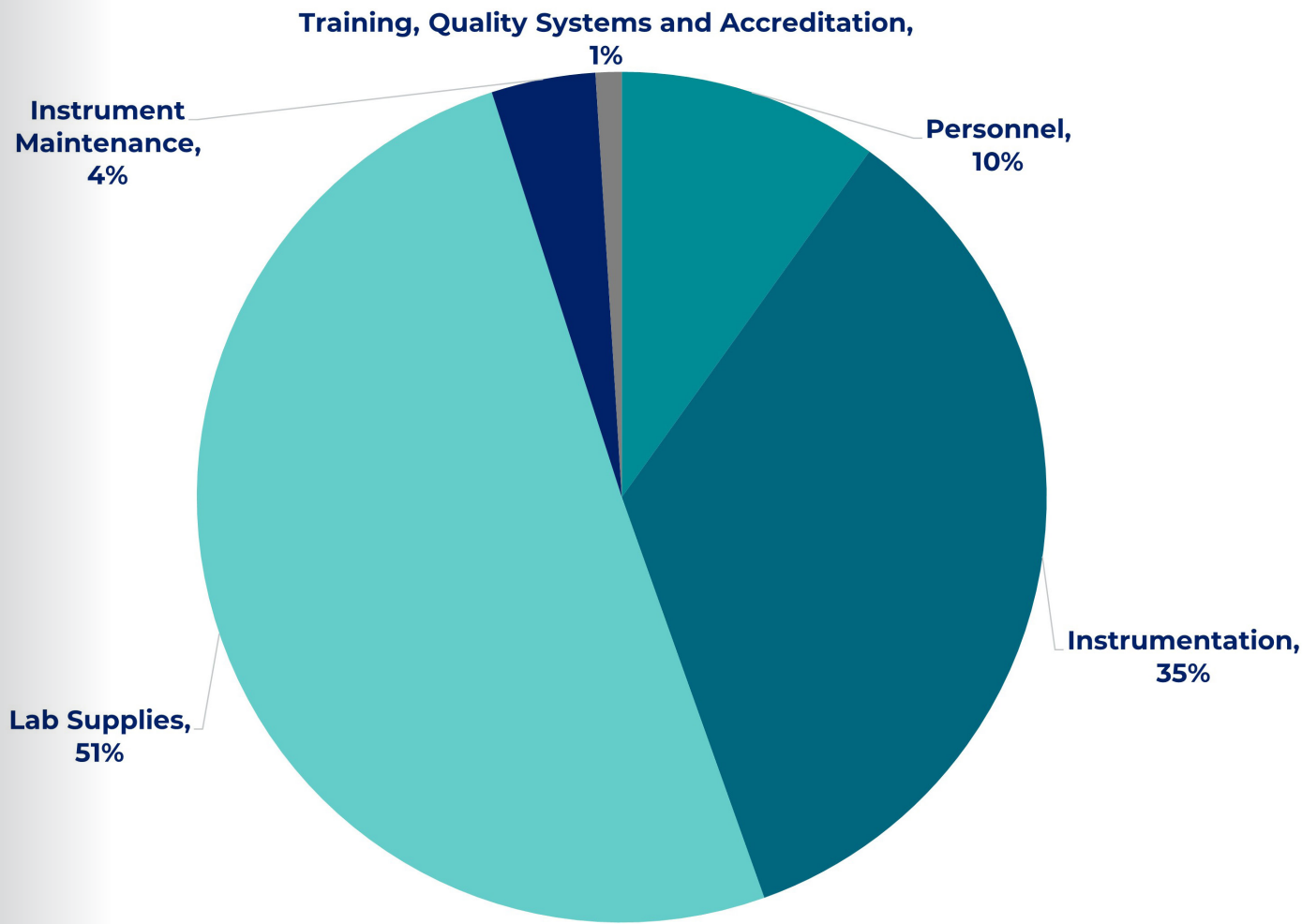
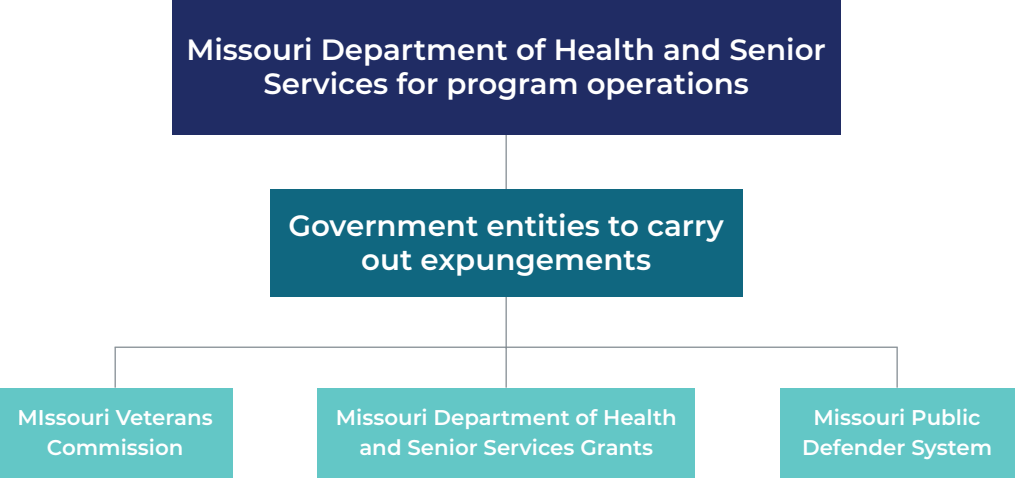


FIGURE 5: ADULT USE CANNABIS REVENUE DISTRIBUTION FLOWCHART



The Reinvestment Fund is also used by governmental entities to carry out their responsibilities in the expungement of certain cannabis-related convictions, as provided in Article XIV, Section 2. This use of the Reinvestment Fund requires Missouri legislative authorization through the annual budget appropriation process.

- Any remaining funds are distributed in thirds as illustrated in Figure 5 and described below:
- The Missouri Veterans Commission and allied state agencies to be used exclusively for health care and other services for military veterans and their dependent families,
  - The Department of Health and Senior Services to provide grants to agencies and not-for-profit organizations to increase access to evidence-based, low-barrier drug addiction treatment and prevention, and
  - The Missouri Public Defender system to be used only for legal assistance for low-income Missourians.

All monies from the taxes and fees authorized in Article XIV, Section 2 are prescribed to provide new and additional funding for the purposes enumerated above and shall not replace existing funding. Any unexpended balance existing in the fund shall be exempt from the provisions of section 33.080, RSMo, or its successor provisions, and thus not be transferred to the general revenue fund. Figure 6 details the transfers and entities appropriated in FY24. DHSS has no authority to track how other governmental agencies expend their transfer appropriation.

FIGURE 6: VETERANS, HEALTH, AND COMMUNITY REINVESTMENT FUND: TRANSFERS

FISCAL YEAR	EXPUNGEMENTS	MO VETERANS COMMISSION	SUBSTANCE USE DISORDER GRANT	PUBLIC DEFENDER
FY23	\$0	\$0	\$0	\$0
FY24	\$1,278,973	\$1,278,973	\$1,278,973	\$1,278,973

Missouri State fiscal year runs July 1 - June 30. FY24 was the first year the legislature appropriated transfers as the legalization of cannabis became effective six months into FY23 and adult use sales commenced two months later. FY24 revenues, expended budget are current as of November 30, 2023.

# IDENTIFICATION CARDS AND LICENSES

Article XIV directed DHSS to develop forms, applications, certificates, licenses, and identification (ID) cards necessary for its administration. This chapter reports on the number of each type of individual ID card, license, and certification issued, as required by Article XIV.

## Individual Identification Card Overview

DHSS has licensing authority to accept, process, and issue ID cards for qualifying patients, caregivers, patient/caregiver cultivators, consumer personal cultivators, and facility agents.

### Patient and Caregiver ID Cards

In PY23, the number of patient ID cards issued decreased by 68% from PY22, with a total number of active patient ID card holders decreasing by 87%. This decrease is due to changes in constitutional provisions resulting in adult sales that began on February 3, 2023. Beginning December 8, 2022, nurse practitioners were allowed to certify patients’ qualifying medical conditions. At the close of PY23, there were 577 physicians and 53 nurse practitioners actively registered and verified to submit electronic Physician and Nurse Certification Forms within the patient registry system.

FIGURE 7: ISSUED PATIENT AND CAREGIVER ID CARDS

IDENTIFICATION CARD TYPE	PY22	PY23
New Patient	126,192	40,173
Patient Renewal	78,720	65,440
New Caregiver	2,220	1,100
Caregiver Renewal	974	789
New Patient Cultivation	9,302	4,505
Patient Cultivation Renewal	15,391	11,994

FIGURE 8: ACTIVE PATIENT AND CAREGIVER ID CARDS

IDENTIFICATION CARD TYPE	PY22	PY23
Active Patient	205,897	109,812
Active Caregiver	2,910	1,878
Active Patient Cultivation	25,627	17,143



Consumer Personal Cultivation ID Cards

Article XIV, Section 2 requires DHSS to issue consumer personal cultivation ID cards, allowing individuals at least 21 years of age to cultivate cannabis plants for non-commercial use beginning February 3, 2023.

FIGURE 9: CONSUMER PERSONAL CULTIVATION ID CARDS ISSUED AND IN ACTIVE STATUS

PY23	
Issued	2,184
Active	2,170

Agent ID Cards

All employees, contractors, owners, and volunteers who have access to a licensed cannabis facility are required to obtain an agent ID card before beginning employment, work, or volunteer services. Agent ID cards are valid for three years. In PY23, the number of agent ID cards issued increased by 18.4% from PY22 in response to adult sales beginning on February 3, 2023. While Section 2 no longer required DHSS to screen facility agents for disqualifying felony offenses, the general assembly reinstated the requirement in August of 2023. DHSS will implement this requirement as soon as federal authorities approve access to their criminal records database.

FIGURE 10: ISSUED, RENEWED, AND ACTIVE AGENT ID CARDS

IDENTIFICATION CARD TYPE	PY22	PY23
Issued	4,243	9,235
Renewed	N/A	460
Active	10,101	18,843

PY23 was the first year agent ID cards came due for renewals as the first agent ID cards were issued in April 2020.

Licensee Overview

PY23 was the first year DHSS regulated both medical and adult use cannabis markets, which include medical, comprehensive, testing, transportation, seed to sale, warehouse, and microbusiness licensees.

DHSS continues to accept applications for transportation and seed to sale certifications on an on-going basis. Microbusiness applications were open for a two-week period in FY23 with an additional application period to take place in PY24. Any other new licenses issued in PY23 are from previously denied medical license applications that were awarded through agreements in the appeals process.

A continuing regulatory priority for DHSS is to verify that each new licensee complies with the minimum standards for licensure in Article XIV and 19 CSR 100-1. Once a minimum standards review is complete, licensees may either submit certain business change applications or proceed through the commencement inspection process to receive an approval to operate.

FIGURE 11: LICENSES ISSUED

LICENSEE TYPE	NUMBER OF LICENSEE TYPE
Cultivation	3
Dispensary	5
Manufacturing	4
Microbusiness Dispensary	16
Microbusiness Wholesale	32
Seed to Sale	6
Transportation	6
Testing	0
Warehouse	0
Total	72

- Licensees must seek and obtain DHSS approval for business change applications before they may:
- Change the licensee’s facility or warehouse location - 19 CSR 100-1.100(2)(D) and 19 CSR 100-1.100(3)(C). See Figure 12, column titled “Location”,
  - Material Deviation (a change in use of space at a licensed facility) - 19 CSR 30-95.040(4)(C)3. See Figure 12, column titled “Material Deviation”,
  - Make any changes that would result in an individual becoming an owner of the licensed entity who was not previously an owner – 19 CSR 100-1.100(2)(B). See Figure 12, column titled “Ownership”,
  - Make any changes that would result in an overall change in ownership interests of fifty percent (50%) or more from the last approved ownership of the licensee – 19 CSR 100-1.100(2)(C) and 19 CSR 100-1.100(3)(B), or
  - Transfer their license to a different entity with the same ownership - 19 CSR 100-1.100(2)(A) and 19 CSR 100-1.100(3)(A). See Figure 12, column titled “Transfer of Entity – Same Ownership”.

FIGURE 12: BUSINESS CHANGE APPLICATIONS RECEIVED BY LICENSE TYPE IN PY23

LICENSEE TYPE	LOCATION	MATERIAL DEVIATION	OWNERSHIP	TRANSFER OF ENTITY - SAME OWNERSHIP	TOTAL
Cultivation	2	0	11	0	13
Dispensary	15	1	33	4	53
Manufacturing	3	1	14	1	19
Transportation	0	0	0	0	0
Testing	0	0	0	0	0
Total	20	2	58	5	85

Commencement Inspections

To help ensure a licensed facility’s operational readiness under the provisions of Article XIV and rules in 19 CSR 100-1, licensees must request and pass a commencement inspection before they may do any of the following (19 CSR 100-1.030(3)):

- Begin operations under a new license or at a new location,
- Occupy or utilize new space for which the licensee has not previously received approval to operate, including vehicles,
- Share space with another licensee, or
- Change the use of spaces.

FIGURE 13: COMMENCEMENT INSPECTIONS RECEIVED BY LICENSEE AND INSPECTION TYPE IN PY23

LICENSEE TYPE	NEW LICENSE/ ATO	NEW LOCATION	NEW SPACE	SHARED SPACE	CHANGE USE	TOTAL
Cultivation	3	0	45	60	44	152
Dispensary	9	4	29	6	41	89
Manufacturing	1	0	31	38	47	117
Transportation	2	0	8	0	1	11
Testing	5	0	19	4	3	31
Total	20	4	132	108	136	400

Failed Tests and Remediation Requests

Mandatory testing must be conducted on all final product to adequately assess for contaminants and cannabinoid profile consistency (19 CSR 100-1.110(7)). This requirement is in place to ensure the health and safety of the public regarding products under the regulatory authority of DHSS.

All products that fail mandatory testing must be reanalyzed, remediated, or destroyed within three (3) months of initial test failure (19 CSR 100-1.110(10)). The products that fail mandatory testing are placed on administrative hold until the licensee receives DHSS approval to reanalyze, remediate or destroy the product. Product that fails mandatory testing for heavy metals may not be remediated but may be reanalyzed with DHSS approval (19 CSR 100-1.110(10)(C)).

DHSS developed a list of preapproved remediation actions that can be taken by notifying DHSS of their planned remediation action (19 CSR 100-1.100(11)). The remediation actions listed are common and effective actions licensees may take to address a mandatory test failure. Any remediated product must pass mandatory testing before selling to the public for consumption (19 CSR 100-1.100(10)(B)2.B).

Beginning July 30, 2023, approved remediation processes outlined in 19 CSR 100-1.110(11) became effective. This resulted in a significant decline in remediation requests for the remainder of PY23.

FIGURE 14: NUMBER OF FAILED TESTS BY LICENSEE AND TEST TYPE IN PY23

TEST TYPE	CULTIVATION	MANUFACTURING	TOTAL
Cannabinoid Screening	0	23	23
Chemical Residue Screening	0	61	61
Heavy Metal Screening	23	55	78
Microbial Screening	145	28	173
Residual Solvents Screening	0	152	152
Water Activity and Moisture Content Screening	5	0	5
Foreign Matter Screening	0	0	0
Total	173	319	492

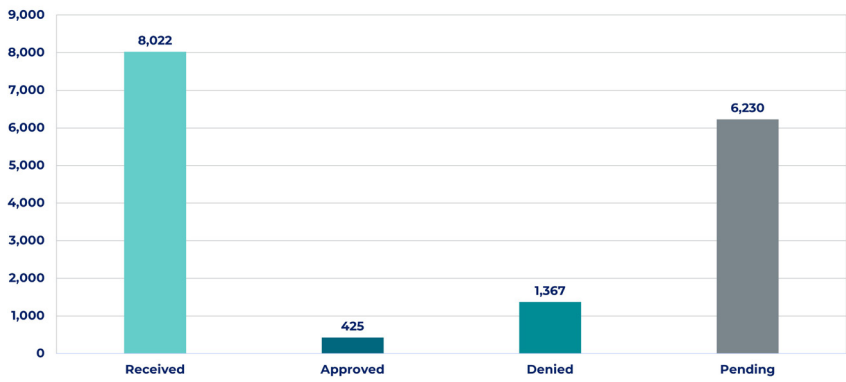
FIGURE 15: NUMBER OF REMEDIATION REQUESTS BY LICENSEE AND FAILED TEST IN PY23

TEST TYPE	CULTIVATION	MANUFACTURING	TOTAL
Heavy Metal Screening	0	9	9
Microbial Screening	30	8	38
Residual Solvents Screening	0	59	59
Water Activity and Moisture Content Screening	5	0	5
Total	35	76	111

Cannabis Product, Package, and Label Design: Item Approval Process

On September 1, 2023, DHSS implemented the item approval process to facilitate licensee compliance with 19 CSR 100-1.120(2). The item approval process is in place to ensure all product, packages, and labels are designed in a manner that protects public health and is not attractive to children. This process requires licensees to submit each final product, package, and label design to DHSS for review and approval prior to use. DHSS will deny all incomplete or non-compliant item approval applications. A list of application requirements may be found on the DHSS website.

FIGURE 16: NUMBER OF ITEM APPROVALS RECEIVED, APPROVED, AND DENIED IN PY23





# 03

## ACTIONS & WRAP-UP

Division of Cannabis Regulation enforces compliance with cannabis laws, including investigating violations and issuing penalties. Licensed facilities and ID cardholders are subject to investigations. Denials or penalties can be appealed to the Administrative Hearing Commission (AHC), which provides an impartial review of DHSS decisions regarding cannabis-related activities.



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additional information

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## HIGHLIGHTS

- 01 DHSS Enforcement Authority**  
DHSS regulates licensed cannabis facilities and ID cardholders but cannot enforce rules outside these entities.
- 02 Facility Inspections and Investigations**  
DHSS conducts facility inspections, investigates complaints, and issues violation notices for non-compliance with cannabis laws.
- 03 Appeals Process through AHC**  
Entities penalized by DHSS can appeal decisions to the AHC for independent, impartial review.
- 04 Microbusiness License Appeals**  
Following license denials, four microbusiness applicants have pending appeals with the AHC.



## SECTIONS

### Regulatory Enforcement

DHSS investigates licensed facilities non-compliance. Penalties can range from suspension to revocation of licenses, with corrective actions required.

### Administrative Hearing Commission Appeals

The AHC reviews cases impartially, ensuring that DHSS actions are fair and legally compliant.





# REGULATORY ENFORCEMENT

The Division of Cannabis Regulation provides safe and secure access to product through consistent regulation, enforcement, and education. Enforcement actions are sometimes necessary to protect the health and safety of citizens.

It is important to note that DHSS only has authority over any entity licensed or certified by the Program. DHSS does not have authority over any individual, facility, or business outside that Constitutional authority. For example, individuals who hold an ID card issued by DHSS for specific cannabis-related activities are under DHSS’ authority but only regarding those specific cannabis activities. Individuals who do not hold an ID card issued by DHSS are not under DHSS’ authority. Violations of cannabis-related laws over which DHSS has no authority or by individuals not subject to DHSS’ authority remain the purview of local, state, and federal law enforcement.

DHSS has the authority to suspend, fine, restrict, or revoke ID cards, licenses, and certifications for violations of Article XIV and 19 CSR 100-1. DHSS may receive complaints from the public, law enforcement, or other agencies or originations. In addition to receiving complaints, DHSS may open an investigation through the normal compliance verification processes.

In PY23, DHSS revoked zero individual ID cards, licenses, or certifications. DHSS suspended seven licensees, three of which have resumed operations after coming into compliance. Two facility licenses expired or were deactivated.

## Individual Identification Cardholder Enforcement

DHSS may investigate an individual cardholder if there is reason to believe the individual has violated or is violating any provision of Article XIV or 19 CSR 100-1 that could affect the individual’s right to continue holding a DHSS-granted individual ID card (19 CSR 100-1.030). The outcome of these investigations may result in the revocation of an individual identification card.

FIGURE 17: NUMBER OF INDIVIDUAL CARDHOLDER COMPLAINTS RECEIVED IN PY23

TYPE OF INVESTIGATION	COMPLAINTS RECEIVED
Distribution	1
Over Plant Count	6
Security	2
Total	9

## Facility License Enforcement

DHSS may conduct an inspection or investigation of a licensee or facility at any time, including an inspection of any part of the premises or records of a licensed or certified entity (19 CSR 100-1.030). Additionally, DHSS may initiate investigations upon receiving a complaint, or upon DHSS staff discovering an issue during an inspection or review. In all cases, DHSS will determine whether the allegations in the complaint warrant further

investigation. If an investigation is warranted, DHSS will advise the licensee of the nature of the allegations in the complaint and provide the licensee with an opportunity to respond.

If DHSS determines that a licensee is not in compliance with Article XIV or 19 CSR 100-1, DHSS may issue an Initial Notice of Violation explaining how the licensee is in violation and what remedial or corrective actions the licensee is expected to take. Within 15 days of the date on the notice, the licensee must complete the specified remedial actions and notify DHSS in writing of that completion or request additional time for remediation if necessary.

If the licensee does not complete the required remedial or corrective actions expected, DHSS may issue a Final Notice of Violation. If the licensee does not complete the required remedial or corrective actions outlined in the Final Notice of Violation within 30 days, DHSS may suspend or fine the licensee as outlined in rule until the corrective or remedial actions have been taken by the licensee.

In instances where a licensee receives multiple or reoccurring Initial Notices of Violation in a 12-month period, DHSS may require the licensee to:

- Acquire certification or accreditation to a quality management system standard chosen by DHSS at the expense of the

- licensee; or
- Be subject to an audit of the licensee’s processes or practices relevant to the violations by a third-party auditor chosen by DHSS at the expense of the licensee.

Further, more serious violations could result in the suspension or revocation of the license. Prior to revoking or suspending a facility license, DHSS will issue a notice to the licensee, which will include the basis for a pending revocation or suspension. Except where there is a credible and imminent threat to public safety, the revocation or suspension will not take effect until thirty (30) days from the date the notice is sent. During the thirty (30) day period, the licensee will have the opportunity to resolve the deficiencies listed in the notice and/or respond to the allegations and submit records or information demonstrating why the license should not be revoked or suspended. Examples of more serious violations include, but are not limited to, providing false and misleading information to DHSS, track and trace violations, marijuana product testing violations, and security of marijuana product or facility security violations.

If, at any time, DHSS determines a licensee presents an immediate and serious threat to the health and safety of the public or the licensee’s employees, DHSS may order the licensee to immediately suspend all or a part of its operations until the licensee has eliminated the threat.

FIGURE 18: NUMBER OF LICENSED FACILITY COMPLAINTS RECEIVED IN PY23

TYPE OF INVESTIGATION	COUNT OF CASE RECEIVED
Diversion/Inversion	50
Security	33
Compliance	27
Sales	23
Product	22
Legal	11
Total	166



# ADMINISTRATIVE HEARING COMMISSION APPEALS

Should it become necessary to deny an application or impose penalties against an ID card holder, license, or certification, the impacted entity has the right to have the Department’s action reviewed by the Administrative Hearings Commission (AHC) per Article XIV. The AHC acts as a neutral and independent tribunal to impartially review DHSS decisions.

## Individual ID Card

During PY23, the AHC received six appeals from denied individual ID card applicants: five patients and one agent. All six cases were dismissed after being resolved prior to a hearing.

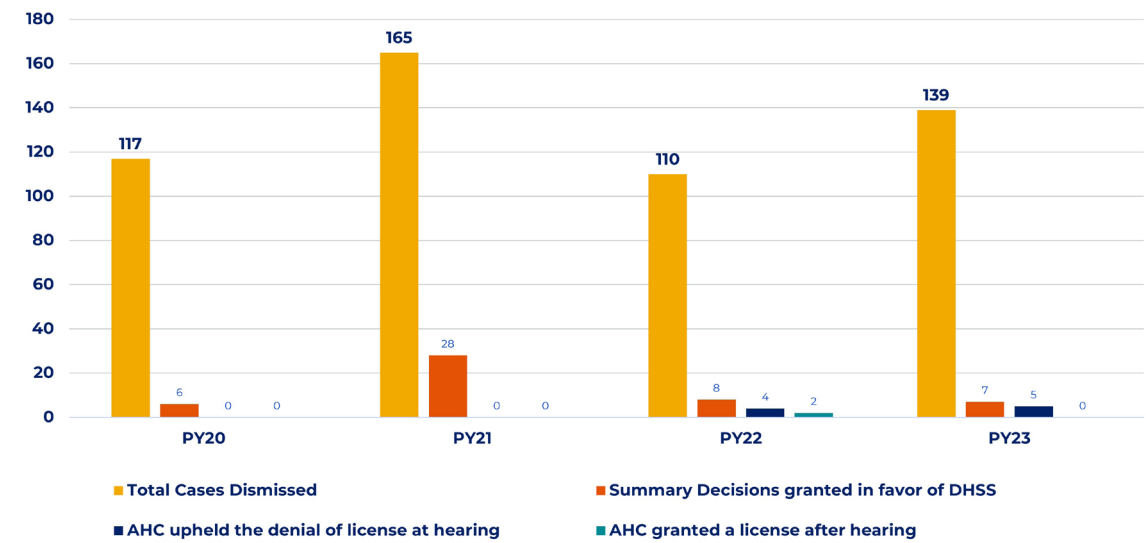
## Medical Facility License

From December 2019 to February 2020, the AHC received 857 appeals from medical facility applicants denied due to the scoring and ranking process mandated by Article XIV Section 1. By the end of PY23, 531 cases had been dismissed, 49 Summary Decisions were granted in favor of DHSS, one Summary Decision was granted in favor of an applicant, nine denials of a license were upheld by the AHC after hearing, and two licenses were granted after hearing.

## Microbusiness License

On October 2, 2023, 48 microbusiness applicants were issued a license, and the remaining 1,577 applications were denied. Four applicants have pending appeals with the AHC in relation to application denial.

FIGURE 19: FACILITY APPEALS 2019 - 2023





# CONCLUSION

## Overview

DHSS is dedicated to ensuring transparency of the cannabis program by providing reports such as this one, creating opportunities for collaboration, and having a liaison to the public, licensees, applicants, and stakeholders throughout the state. DHSS often meets with licensees and stakeholders for feedback to ensure regulations protect the safety of patients and consumers without being an undue burden on licensees. In addition, DHSS continues to provide many avenues for public communication, including a call center, a public email address to receive general program inquiries, a website with program information such as application guidance and checklists, answers to frequently asked questions, data reports, rule variance notices, and guidance for individual ID card holders and licensees. DHSS provides presentations to various organizations, participates in state agency workgroups, and partners with state and national associations.

During PY23, DHSS focused on implementing the new constitutional provisions in Article XIV, Sections 1 and 2. The goal was and is to ensure that quality standards for cannabis products continue to be maintained to provide safe and secure access to qualifying medical patients and consumers 21 years of age and older.

## PY23 SUMMATION

- \$890.7 million in cumulative medical retail product sales with \$20.5 million in cumulative taxes deposited into the Veterans' Health and Care Fund,
- \$13 million transferred from the Veterans' Health and Care Fund to the Missouri Veterans Commission bringing the cumulative amount transferred to \$40.0 million,
- \$929.7 million in cumulative adult use retail product sales with \$45.0 million in cumulative taxes deposited into the Reinvestment Fund during PY23,
- \$3.9 million transferred from the Reinvestment Fund: \$1.3 million each to Missouri Veterans Commission, the Substance Use Disorder grant program, and the Missouri Public Defender System,
- 48 microbusiness licenses issued, and
- 9,695 agent ID cards issued to allow individuals to work in the cannabis industry, bringing the total number of agents working in this new industry to over 19,000 since April 2020.

In the PY22 Annual Report, DHSS noted its expectation that the adult use cannabis market would impact patient participation in the medical program. At the conclusion of PY23, the number of active patient ID cards declined to a little over 109,000, which represents an 87% decrease from PY22. New constitutional provisions regarding patient, caregiver, and patient cultivator fees became effective December 8, 2022. These changes, in conjunction with declining patient applications, resulted in reduced revenues into the Veterans' Fund. DHSS will continue to monitor the impact this decline has on the Veterans' Fund.

## DHSS plans for PY24:

- Continue to implement the adult use program.
- Increase public awareness and program transparency through new communication products: (1) The Cannabis Connection newsletter, (2) an email subscription for communications to target audiences, and (3) podcasts.
- Begin to operationalize and accredit Missouri's Cannabis State Reference Laboratory.



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Our Mission: Optimal Health  
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